

Message Text

LIMITED OFFICIAL USE

PAGE 01 ALGIER 00367 121410Z
ACTION NEA-10

INFO OCT-01 ISO-00 NSC-05 NSCE-00 FEA-01 FPC-01 SSO-00
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00
EB-08 H-01 INR-07 INT-05 L-03 NSAE-00 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/099 W

-----121837Z 023194 /40

R 121236Z FEB 77
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 5897

LIMITED OFFICIAL USE ALGIERS 0367

DEPARTMENT PASS FEA AND FPC

FOR ENERGY COORDINATOR SCHLESINGER FROM AMBASSADOR

E.O. 11652: N/A
TAGS: ENRG, AG, US
SUBJECT: ALGERIAN LNG CONTRACTS WITH US

1. IN MY FAREWELL CALLS ON PRESIDENT BOUMEDIENE AND MINISTER ENERGY AND INDUSTRY ABDESELAM, BOTH STRESSED IN MOST FORCEFUL TERMS NECESSITY FOR EARLY DECISION FROM FPC ON APPROXIMATELY ONE TRILLION CUBIC FEET PER YEAR LNG SALES CONTRACTS TO US FIRMS. ABDESELAM SAID HE UNDERSTANDS FPC NOW SAYING DECISION (PRESUMABLE ON EL PASO II CONTRACT) CANNOT BE EXPECTED BEFORE END OF YEAR. HE SAID ALGERIA JUST CANNOT WAIT THAT LONG; THEY MUST KNOW BY JUNE, AT LATEST. BOUMEDIENE, ON OTHER HAND, SAID THEY MUST HAVE DECISION THIS YEAR. THESE CONTRACTS INVOLVE BILLIONS OF DOLLARS OF INVESTMENT, AND EVEN MORE OF EXPECTED REVENUES. THEY ARE VITAL TO THE ALGERIAN DEVELOPMENT EFFORT.

2. IN MY REPLY TO BOTH I SAID WE UNDERSTOOD FULLY THEIR DESIRE FOR EARLY ACTION ON THESE CONTRACTS, BUT QUASI JUDICIAL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ALGIER 00367 121410Z

PROCEDURES OF FPC WERE VERY SLOW, EVEN THOUGH ONE FPC OFFICIAL HAD ALLEGEDLY TOLD ALGERIANS ALL AMERICAN COMPANIES HAD TO DO WAS TO PRESS THE RIGHT BUTTON TO SPEED THINGS UP. GIVEN PROCEDURES PROBLEMS IT APPEARED TO BE UNLIKELY THAT CONTRACT X, AS WRITTEN, WOULD BE APPROVED BY JUNE. IT SEEMED TO ME, HOWEVER, THAT ALGERIA'S REAL REQUIREMENT AT THIS TIME WAS FOR THE USG TO

DECIDE HOW MUCH LNG IT WOULD IMPORT FROM ALGERIA AND TO SO INFORM THE GOA. I WOULD UNDERTAKE TO PUT THIS QUESTION BEFORE THE NEW ADMINISTRATION AND TO STRESS THE URGENCY WITH WHICH ALGERIA VIEWED THE MATTER. ABDESELAM SAID HE WOULD APPRECIATE THIS VERY MUCH, BUT HE ADDED THAT IT STILL WAS IMPORTANT THAT FPC DECISION BE ACCELERATED AS MUCH AS POSSIBLE.

3. COMMENT: WHILE AT FIRST LOOK IT IS DIFFICULT TO UNDERSTAND WHY ALGERIA IS PRESSING SO HARD FOR DECISION ON CONTRACTS FOR GAS DELIVERIES SEVERAL YEARS IN THE FUTURE, THERE ARE AT LEAST TWO BASIC ISSUES INVOLVED WHICH, FOR THE GOA, REQUIE EARLY RESOLUTION. THE FIRST OF THESE IS FINANCING. FOSTER-WHEELER AND GOA ALREADY HAVE BEGUN SEARCH FOR FINANCING FOR ARZEW III LIQUEFACTION PLANT, FROM WHICH EL PASO II GAS WILL COME. LACK OF FIRM, APPROVED SALES CONTRACTS MAKES TASK OF DEALING WITH INTERNATIONAL BANKER MUCH MORE DIFFICULT. THIS UNDOUBTEDLY IS WHY ABDESELAM WILL CONTINUE TO PRESS FOR FORMAL FPC DECISION REGARDING EL PASO II CONTRACT. SECOND ISSUE ARISES FROM FACT THAT ALGERIA HAS CONCLUDED SALES CONTRACTS FOR MORE LNG THAN IT WILL PRODUCE, AT LEAST FOR THE NEXT TEN TO FIFTEEN YEARS. THIS MEANS THAT SOME CONTRACTS EITHER WILL HAVE TO BE CANCELLED OR AMENDED TO STRETCH OUT OR DELAY DELIVERIES. I BELIEVE BOTH PRESIDENT BOUMEDIENE AND ABDESELAM WERE TRYING TO TELL ME THAT THEY PREPARED TO HONOR US CONTRACTS IF WE, ON OTHER HAND, CAN GIVE REASONABLE ASSURANCES THAT WE PREPARED ACCEPT OUR PART OF THE BARGAIN. (ABDESELAM'S EXACT WORDS WERE, "AS YOU KNOW WE NOW HAVE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ALGIER 00367 121410Z

CONCLUDED ALL OUR LNG SALES CONTRACTS; THERE WILL BE NO MORE. NOW WE MUST BEGIN TO MAKE CERTAIN DECISIONS REGARDING THOSE CONTRACTS.")

4. AS PRESIDENT CARTER INDICATED RECENTLY, WE NEED AN ENERGY POLICY. IN THE INTEREST OF THE CONSUMER, IF NO ONE ELSE, WE REALLY SHOULD GET OFF THE DIME AND MAKE SOME BASIC DECISIONS ABOUT LNG AND INFORM THE ALGERIANS WHAT THEY CAN EXPECT FROM US. THEY WILL RESPECT OUR DECISION, BUT THEY WILL NOT RESPECT A CONTINUATION OF THE LEISURELY APPROACH WE HAVE FOLLOWED TO DATE. THEY ARE ALREADY IRRITATED; THEY ARE EVENTUALLY GOING TO GET MAD. WHAT WE DECIDE IS NOT AS IMPORTANT TO THEM AS IT IS THAT WE MAKE UP OUR MINDS, SO THEY CAN MAKE THEIR OWN DECISIONS.

5. I HOPE THIS MATTER CAN RECEIVE YOUR EARLY ATTENTION.

PARKER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LPG, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ALGIER00367
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770051-0402
Format: TEL
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770247/aaaabphn.tel
Line Count: 115
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0e126ec7-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3336086
Secure: OPEN
Status: NATIVE
Subject: ALGERIAN LNG CONTRACTS WITH US
TAGS: ENRG, AG, US, (BOUMEDIENE, HOUARI), (ABDESSELAM, BELAID), (PARKER, RICHARD B)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/0e126ec7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009